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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000790

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SUBJECT: COUNTERTERRORISM ACTION GROUP (CTAG): IN-COUNTRY
MEETINGS AND TERRORIST FINANCING CONVENTION DEMARCHE

REF: A) SECSTATE 63901 B) SECSTATE 71826 C) YEREVAN 543

Classified By: Charge Vivian Walker for reasons 1.5 (b) and (d).

SUMMARY

1. (SBU) Per Ref A, and in the effort to promote counterterrorism cooperation (Ref B), Post hosted a follow-up meeting of the in-country Counterterrorism Action Group, April 1, 2004, comprising representatives from the French, German, Italian, British and Russian Embassies. Post invited Deputy Minister of Finance and Economy David Avetisian to speak about Armenia,s recent efforts to implement safeguards against terrorist financing. Avetisian confirmed that Armenia has ratified the International Convention on the Suppression of Terrorist Financing (as reported previously ref B). He conceded, however, that Armenia is still in the process of developing an action plan to implement the legal reforms for which the treaty calls. END SUMMARY.

LAW ON TERRORIST FINANCE STILL IN DRAFT FORM

2. (SBU) Armenia has not yet passed a long-standing draft bill On Prevention of Illegally Received Income Legalization and Terrorist Financing, which Avetisian considers the first step in discharging Armenia,s duties under the Convention. Although Armenia has no special article in the Criminal Code for the financing of Terrorism, it does have various provisions of criminal and civil law that allow it to prosecute acts of terrorist financing and freeze accounts of suspected terrorist organizations. Avetisian said that he looks forward to the passing of the draft bill as an opportunity to consolidate the government,s legal regime governing money laundering and terrorist finance and to establish a unified system of investigation and oversight of financial transactions. He pointed out that their system is still in flux and that foreign technical assistance may be justified to help them create an enforcement regime up to international standards.

NOT YET CLEAR WHO'S IN CHARGE

3. (SBU) According to Avetisian, it is not yet clear which government entity will be responsible for implementing the reforms in the Convention. Avetisian noted that currently the lead for meeting Armenia,s obligations under the Convention rests with the Ministry of Foreign Affairs, although the Ministry of Finance and Economy (MFE) plays an active cooperative role. (Note: Avetissian insisted that the MFE is the "heart and head" of GOAM efforts against terrorist financing. End Note.) He added that the Convention was ratified very quickly but that the government has not yet put together an action plan to implement its obligations. The Central Bank and the National Security Service share responsibility for implementing Armenia,s current efforts to guard against terrorist financing. The Central Bank oversees the reporting and investigation obligations of private banks, and circulates lists of names of individuals associated with terrorist organizations. The National Security Service tracks any suspected terrorist activity in the country. When asked under which entity a Financial Intelligence Unit, to be formed under the new law, might be rest in the future, Mr. Avetisian dodged the question, adding only that the Ministry of Finance and Economy is a policy making body, and noting that the Central Bank is not, technically, part of Government. (Note: Avetisian told us on a previous occasion that the Ministry of Finance and the Central Bank submitted competing draft laws on money laundering, each putting a financial intelligence and oversight unit under the supervision of their respective entities. End Note.)

ARMENIA DOES NOT POSE A BIG THREAT...YET

4. (C) Avetisian stated that there have been no prosecutions

or asset freezes in Armenia related to terrorist financing. He pointed out that Armenia is not a major financial center, but added that its financial system is maturing and strong protections are necessary to prevent Armenia from becoming an attractive option for money launderers and terrorist financiers. He noted as an example Armenia's casinos, which are weakly regulated. (Note: Avetisian oversees the agency charged with regulating gambling. End Note.) He claimed that casinos posed a small threat as venues for money laundering today (because there is no real need to legitimize cash in Armenia, a cash economy), but that in the event that offshore casinos begin to operate in Armenia, the regulatory framework will need to be improved in order to scotch opportunities for would-be terrorist financiers and money launderers.

RUSSIAN POLITICAL COUNSELOR LAUDS COOPERATION

15. (C) Russian Political Counselor Oleg Korobkov highlighted the close cooperation between Russia and the U.S. on counterterrorism matters, and proposed building on what he described as the "already fully successful model" for cooperating on issues of non-proliferation as the best way to structure our joint counterterrorism efforts. (Note: It was not clear whether he was speaking on instructions; while in previous CTAG meetings he has come with written notes from which to work, in this case his comments appeared more spontaneous. End Note.) He stressed that Russia did not see Armenia as a particular threat with regards to terrorism, and told us of an incident that supposedly took place roughly ten years ago, when a group of Chechen activists attempted to use Armenia as a staging ground for operations in Chechnya. Korobkov noted that the "terrorists were immediately obvious" and arrested by Armenian authorities, and turned over to the Russian government within a few days. (Note: We cannot corroborate his comments, but they appear plausible. End Note.) Russian-Armenian counterterrorism cooperation is strong, according to Korobkov.

CONCLUSION AND COMMENT: ARMENIA KEEN TO COOPERATE

16. (SBU) Avetisian was keen to hear support for stronger laws against terrorist finance. He mentioned that the Armenian National Security Service would appreciate more information on those individuals designated as relating to terrorist organizations, and that this information would facilitate their investigations. The French representative, DCM Gilles Courregelongue promised that such intelligence cooperation was possible and that if the National Security Service made a request he would be happy to facilitate cooperation with the appropriate body in Paris. Avetisian concluded by saying that he would write a letter to the prime minister about this meeting, both expressing the groups interest in Terrorist Finance issues and possible areas for cooperation in the future.
WALKER